5. Government macroeconomic intervention

Starter Quiz · 课前小测

A-Level Economics Name: ______________ Score: ______

1. Which is NOT one of the four main macroeconomic objectives?
   - ☐ maximising firms' profits
   - ☐ economic growth
   - ☐ low unemployment
   - ☐ price stability
2. If the marginal propensity to consume (MPC) is 0.8, what is the multiplier $= 1/(1 - \text{MPC})$?

   ____
3. Monetary policy is mainly conducted by changing:
   - ☐ interest rates and the money supply
   - ☐ government spending
   - ☐ income tax rates
   - ☐ the minimum wage
4. Supply-side policies aim to:
   - ☐ shift aggregate supply to the right (raise capacity)
   - ☐ shift aggregate demand left
   - ☐ raise interest rates
   - ☐ increase the budget deficit
5. Stimulating demand to reduce unemployment often causes:
   - ☐ higher inflation
   - ☐ lower growth
   - ☐ a trade surplus
   - ☐ deflation
6. A budget deficit occurs when:
   - ☐ government spending exceeds tax revenue
   - ☐ tax revenue exceeds spending
   - ☐ the economy is in surplus
   - ☐ inflation is zero

7. Price stability usually means keeping inflation low and stable (around 2%), not zero.

   ☐ True ☐ False

8. Monetary policy is set by the central bank, whereas fiscal policy is set by the government.

   ☐ True ☐ False

9. A successful rightward shift of AS can raise output AND lower the price level.

   ☐ True ☐ False

10. Because objectives conflict, macro policy involves making _________ between them.

    ____

1. **maximising firms' profits**

   The four are growth, low unemployment, price stability and a sound balance of payments.

2. **5**

   1 / (1 − 0.8) = 1 / 0.2 = 5.

3. **interest rates and the money supply**

   The central bank uses interest rates and the money supply; spending/taxes are fiscal policy.

4. **shift aggregate supply to the right (raise capacity)**

   They raise productivity and capacity, shifting AS right.

5. **higher inflation**

   The unemployment–inflation trade-off: more demand → fewer jobless but rising prices.

6. **government spending exceeds tax revenue**

   Spending > revenue → the government borrows → a deficit.

7. **True**

   A small positive target avoids the dangers of deflation.

8. **True**

   Central bank = monetary (rates); government = fiscal (spending/taxes).

9. **True**

   Unlike demand-side policy, supply-side success eases inflation while raising output.

10. **trade-offs**

    You often improve one objective at the cost of another.